

# Summary of Business Rules for Accounting for and Reporting of Military Equipment

## Classification

### Objective

- Provide guidance to differentiate between assets classified as (1) Inventory Held for Sale, (2) Operating Materials and Supplies, and (3) Military Equipment, to facilitate compliance with the provisions of Statement of Federal Financial Accounting Standards No. 3, *Accounting for Inventory and Related Property*, Statement of Federal Financial Accounting Standards No. 6, *Accounting for Property, Plant, and Equipment*, and Statement of Federal Financial Accounting Standards No. 23, *Elimination of the Category National Defense Property, Plant, and Equipment*.

### Baseline Valuation Methodology

- Inventory Held for Sale and Operating Materials and Supplies – Classify and report assets that meet the criteria established in SFFAS No. 3 as Inventory and OM&S.
- Military Equipment - Capitalize the cost of end items determined using the full cost baseline methodology business rule.

### Mid-Term Methodology

- Inventory Held for Sale and Operating Materials and Supplies - Same as Baseline Valuation Methodology
- Military Equipment - Capitalize all costs incurred to acquire and bring military equipment to a form and location suitable for its intended use.